

Summary of Survey Methods

1. Objective of the survey

This survey is conducted as part of the basic statistical surveys under the Statistics Act, in accordance with the Regulations on Surveys for the Financial Statements Statistics of Corporations by Industry (Ordinance of the Ministry of Finance No. 48 of 1970). The survey aims to clarify the current situation of the business activities of corporations in Japan.

2. Survey targets and methods

This survey targets commercial corporations in Japan and selects a sampling of these commercial corporations at random. Commercial corporations refer to general partnership companies, limited partnership companies, limited liability companies, and stock companies whose head offices are located in Japan, as well as shinkin banks, the Federation of Shinkin Banks, credit cooperatives, the Federation of Credit Cooperatives, labor banks, the Federation of Labor Banks, The Norinchukin Bank, the Federation of Credit Agricultural Cooperatives, the Federation of Credit Fisheries Cooperatives, the Federation of Fishery Processing Cooperatives, life insurance companies, and non-life insurance companies whose main business offices are located in Japan.

In addition, finance and insurance as stated in the survey collectively refer to banks, non-deposit money corporations, including lending and credit card business, financial products transaction dealers (those engaged in type I financial products transaction and limited to those engaged in securities-related business), other financial products transaction dealers, futures commodity transaction dealers, life insurance companies, non-life insurance companies, and miscellaneous insurance institutions.

The survey was sent by post to selected companies through financial bureaus and financial offices nationwide. Companies were then asked to complete and return the survey.

Since the 2003 survey, companies have been able to complete and submit the survey online.

3. Sampling method

Commercial corporations nationwide were selected from each sector based on corporate registry as of March 31, 2018 (October 31, 2017 for corporations with capital stock of less than 100 million yen), and other Ministry of Finance documents. The numbers of selected companies are as follows.

[Sectors excluding finance and insurance]

Approximately 4,000 companies with capital stock of less than 10 million yen, approximately 4,000 companies with capital stock of more than 10 million yen but less than 20 million yen, approximately 4,000 companies with capital stock of more than 20 million yen, but less than 50

million yen, approximately 2,000 companies with capital stock of more than 50 million yen, but less than 100 million yen, approximately 10,000 companies with capital stock of more than 100 million yen, but less than 500 million yen, all companies with capital stock of more than 500 million yen, but less than 1 billion yen, and all companies with capital stock of more than 1 billion yen [Finance and insurance]

Approximately 3,000 companies with capital stock of less than 10 million yen, approximately 4,000 companies with capital stock of more than 10 million yen but less than 100 million yen, all companies with capital stock of more than 100 million yen, but less than 1 billion yen, and all companies with capital stock of more than 1 billion yen

4. Survey period

The one-year period from April 1, 2018, to March 31, 2019, is divided into the first half (April to September) and the second half (October to the following March). The finalized financial results of sampled corporations reported during each period were surveyed.

5. Tabulation and estimation methods

Collected surveys are tabulated by sector and capital stock bracket. These are then expanded into a population for which estimates are calculated.

$$\text{Estimate} = \frac{\text{Tabulation value}}{\text{Tabulated corporations}} \times \frac{\text{Number of companies in population}}{\text{in population}}$$

Tabulation for companies with two financial settlements per year used the second half financial results for assets. Liabilities and net assets and the financial results for the first half and second half combined for profit and loss.

6. Sector classification

Sectors were classified as follows according to Japan Standard Industrial Classification.

Additionally, sectors were decided based on the sales of each corporation (note). If a corporation engaged in multiple types of businesses, the business with the largest sales was used for the classification of the corporation.

Note: However, the classification of banking, life insurance, and non-life insurance businesses is based on the corporations' ordinary income, while the classification of non-deposit money corporations, including lending and credit card business, financial products transaction dealers (those engaged in type I financial products transaction and limited to those engaged in securities – related business), other financial products transaction dealers, futures commodity transaction dealers, and miscellaneous insurance institutions is based on operating revenue.

Categorization of this survey	Japan Standard Industrial Classification	Production, Transmission and Distribution of Electricity	Production, Transmission and Distribution of Electricity
Agriculture and Forestry	Agriculture and Forestry	Production, Transmission and Distribution of Gas	Production, Transmission and Distribution of Gas
Fisheries	Fisheries, Aquaculture	Information and Communication	Communications, Broadcasting, Information Services, Services incidental to Internet, Video Picture Information, Sound Information, Character Information Production and Distribution
Mining and Quarrying of Stone and Gravel	Mining and Quarrying of Stone and Gravel		
Construction	Construction Work, General including Public and Private Construction Work, Construction Work by Specialist Contractor, Equipment Installation Work		
Manufacture of Food	Manufacture of Food, Manufacture of Beverages, Tobacco and Feed	Railway, Road Passenger and Road Freight Transport	Railway Transport, Road Passenger Transport, Road Freight Transport
Manufacture of Textile Mill Products	Manufacture of Textile Mill Products	Water Transport	Water Transport
Manufacture of Lumber and Wood Products	Manufacture of Lumber and Wood Products, except Furniture	Miscellaneous Transport	Air Transport, Warehousing, Services incidental to Transport, Postal Services including Mail Delivery
Manufacture of Pulp, Paper and Paper Products	Manufacture of Pulp, Paper and Paper Products	Wholesale Trade	General Merchandise, Textile and Apparel, Food and Beverages, Building Materials, Minerals and Metals, etc., Machinery and Equipment, Miscellaneous Wholesale Trade
Printing and Allied Industries	Printing and Allied Industries		
Manufacture of Chemicals and Allied Products	Manufacture of Chemicals and Allied Products		
Manufacture of Petroleum and Coal Products	Manufacture of Petroleum and Coal Products	Retail Trade	General Merchandise, Woven Fabrics, Apparel, Apparel Accessories and Notions, Food and Beverage, Machinery and Equipment, Miscellaneous Retail Trade, Non-store Retailers
Manufacture of Ceramic, Stone and Clay Products	Manufacture of Ceramic, Stone and Clay Products		
Manufacture of Iron and Steel	Manufacture of Iron and Steel		
Manufacture of Non-ferrous Metals and Products	Manufacture of Non-ferrous Metals and Products	Real Estate	Real Estate Agencies, Real Estate Lessors and Managers
Manufacture of Fabricated Metal Products	Manufacture of Fabricated Metal Products	Goods Leasing	Goods Rental and Leasing
Manufacture of General-Purpose Machinery	Manufacture of General-Purpose Machinery	Miscellaneous Goods Rental and Leasing	Goods Rental and Leasing (Except Goods Leasing)
Manufacture of Production Machinery	Manufacture of Production Machinery	Accommodations	Accommodations
Manufacture of Business Oriented Machinery	Manufacture of Business Oriented Machinery	Eating and Drinking Services	Eating and Drinking Places, Food Takeout and Delivery Services
Manufacture of Electrical Machinery, Equipment and Supplies	Manufacture of Electrical Machinery, Equipment and Supplies	Living-Related and Personal Services	Laundry, Beauty and Bath Services, Miscellaneous Living-Related and Personal Services
Manufacture of Information and Communication Electronics Equipment	Manufacture of Information and Communication Electronics Equipment, Electronic Parts, Devices and Electronic Circuits	Services for Amusement and Hobbies	Services for Amusement and Hobbies
Manufacture of Motor Vehicles, Parts and Accessories	Manufacture of Motor Vehicles, Parts and Accessories	Advertising	Advertising
Manufacture of Miscellaneous Transportation Equipment	Manufacture of Miscellaneous Transportation Equipment	Pure Holding Companies	Pure Holding Companies
Miscellaneous Manufacturing Industries	Manufacture of Furniture and Fixtures, Manufacture of Plastics Products, Manufacture of Rubber Products, Manufacture of Leather Tanning, Leather Products and Fur Skins, Miscellaneous Manufacturing Industries	Miscellaneous Scientific Research, Professional and Technical Services	Scientific, Development Research Institutes, Professional Services, N.E.C. and Technical Services, N.E.C.
		Medical, Health care and Welfare	Medical and Other Health Services, Public health and Hygiene, Social Insurance, Social Welfare and Care Services
		Education, Learning Support	School Education, Miscellaneous Education, Learning Support
		Employment and Worker	Employment and Worker

Dispatching Services	Dispatching Services
Miscellaneous Services	Waste Disposal Business, Automobile Maintenance Services, Machine, etc. Repair Services, Postal Services, Miscellaneous Business Services, Miscellaneous Services
Banking	Banking, Financial Institutions for Cooperative Organizations
Non-Deposit Money Corporations, Including Lending and Credit Card Businesses (below, "Money Lending Business")	Pawnbrokers, Money lending Business for Consumers, Money Lending Business for Corporates, Credit Card Businesses, Installment Finance Businesses, Miscellaneous Non-deposit Money Corporations, Including Lending and Credit Card Business
Financial Products Transaction Dealers (Those Engaged in Type I Financial Products Transaction and Limited to Those Engaged in Securities-Related Business)	Financial Products Transaction Dealers (Those Engaged in Type I Financial Products Transaction and Limited to Those Engaged in Securities-Related Business)
Life Insurance Institutions	Life Insurance Institutions
Non-Life Insurance Institutions	Non-Life Insurance Institutions
Miscellaneous Insurance Institutions	Small-amount Short-term Insurance Providers, Insurance Agents and Brokers, Insurance Service Institutions

7. Explanation of survey items

The definition of accounting terms used in this survey, in principle, follows the Ordinance on Terminology, Forms and Preparation Methods of Interim Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963), but certain items have been prepared independently for this survey.

(1) Other tangible fixed assets and intangible fixed assets

Those amounts for which cumulative depreciation expenses are deducted.

In addition, for intangible fixed assets, accounting standards on computer software have been established, and as software is recorded as belonging to intangible fixed assets, the survey has broken down intangible fixed assets into "intangible fixed assets excluding software" and "software" since the FY2001 edition.

(2) Number of directors, number of employees, directors' remuneration, directors' bonus, employees' salaries, employees' bonus

The number of directors represents the average number of directors employed during the period who received compensation as part of expense accounts, regardless if they were full-time or part-time. The number of employees is the average number of personnel employed regularly during the period combined with the number of temporary employees during the applicable period (the

amount calculated by dividing the number of regular and overtime hours by the average working hours of regular employees). Compensation and bonuses are the amounts that should be paid during the applicable period to individual employees and represent the total including cost of sales, cost of manufacturing, and selling and general administration expenses.

For dispatched employees, the company that is paying the compensation enters the information. In other words, if the dispatched employee's compensation is paid for by the assignee company, the assignee company will record "directors' remuneration", "employees' salaries", and the "number of directors/employees". Additionally, if the assignee company paid the assignor company for the employee's compensation and the assignor company directly paid the compensation to the employee and recorded directors' remuneration and employees' salaries, this will be included in the assignor company's directors' remuneration, employees' salaries, and number of directors/employees.

(3) Welfare expense

This is the total amount deemed as personnel expenses other than compensation, including statutory benefits, welfare, recreation facilities, retirement compensation payments (including retirement benefit expenses).

(4) Taxes and public charges

The total of business tax on revenues (excluding amounts included in corporation income tax), fixed assets tax, automobile tax, stamp duty, not including corporation income tax and business tax on resident tax and income tax.

(5) Reserve (or provisions) required by special law

Based on the public nature of specified businesses, the booking of reserves (or provisions) is required under special laws. Applicable under these statistics are the provision for conversion of heating value of supplied gas (Article 27 of the Gas Business Act), the reserve for fluctuations in water level (Article 36 of the Electricity Business Act), the reserve for liability for commodity transactions (Article 136-22 of the Commodity Exchange Act), and the reserve for expansion of railway transport facilities (Article 8 of the Act on Special Measures concerning Promotion of Construction of Specified Urban Railways).

(6) Capital reserve, other capital surplus, Legal retained earnings, Reserve, retained earnings brought forward

The breakdown of capital surplus, a net assets item, includes capital reserves and other capital surplus, while the breakdown for accumulated earnings includes Legal retained earnings, Reserve, and retained earnings brought forward.

8. Formula for calculating financial and operating ratios

$$\text{Quick ratio} = \frac{\text{Cash and deposits} + \text{Bills receivable} + \text{Accounts receivable} + \text{Securities}}{\text{Liquid liabilities}} \times 100$$

$$\text{Current ratio} = \frac{\text{Liquid assets}}{\text{Liquid liabilities}} \times 100$$

$$\text{Fixed assets ratio} = \frac{\text{Fixed assets}}{\text{Net assets}} \times 100$$

$$\text{Ratio of net worth} = \frac{\text{Net assets} - \text{Subscription rights to shares}}{\text{Total capital}} \times 100$$

$$\text{Operating profits on assets} = \frac{\text{Operating profits}}{\text{Total capital (average for beginning of year and end of year)}} \times 100$$

(Note) Average for beginning of year and end of year represents the average at the end of the previous year and at the end of the year under review applicable for this survey.

$$\text{Ordinary profits on assets} = \frac{\text{Ordinary profits}}{\text{Total capital (average for beginning of year and end of year)}} \times 100$$

$$\text{Ordinary profits on equity} = \frac{\text{Ordinary profits}}{\text{Net assets} - \text{Subscription rights to shares (average for beginning of year and end of year)}} \times 100$$

$$\text{Ratio of operating profits to sales} = \frac{\text{Operating profits}}{\text{Sales}} \times 100$$

$$\text{Ratio of ordinary profits to sales} = \frac{\text{Ordinary profits}}{\text{Sales}} \times 100$$

$$\text{Total assets turnover} = \frac{\text{Sales}}{\text{Total capital (average for beginning of year and end of year)}}$$

$$\text{Tangible fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Tangible fixed assets (excluding construction in process) (average for beginning of year and end of year)}}$$

$$\text{Average age of inventory} = \frac{\text{Inventories (average for beginning of year and end of year)}}{\text{Sales} \div 12}$$

$$\text{Receivable turnover period} = \frac{\text{(Bills receivable + Accounts receivable) (average for beginning of year and end of year)}}{\text{Sales} \div 12}$$

$$\text{Payable turnover period} = \frac{\text{(Bills payable + Accounts payable) (average for beginning of year and end of year)}}{\text{Sales} \div 12}$$

$$\text{Ratio of credit provision to receipt} = \frac{\text{Bills receivable + Accounts receivable + Bills receivable discounted outstanding}}{\text{Bills payable + Accounts payable}} \times 100$$

$$\text{Liquidity ratio} = \frac{\text{(Cash and deposits + Securities) (average for beginning of year and end of year)}}{\text{Sales}} \times 100$$

$$\text{Ratio of interest to borrowings} = \frac{\text{Interest, etc.}}{\text{(Short/Long-term borrowings + Bonds + Bills receivable discounted outstanding) (average for beginning of year and end of year)}} \times 100$$

$$\text{Depreciation ratio} = \frac{\text{Depreciation expenses}}{\text{Other tangible fixed assets + Intangible fixed assets + Depreciation expenses}} \times 100$$

$$\text{Ratio of dividend to capital} = \frac{\text{Interim dividend + Dividends}}{\text{Capital stock (average for beginning of year and end of year)}} \times 100$$

$$\text{Dividend payout ratio} = \frac{\text{Interim dividend + Dividends}}{\text{Net profits for the period}} \times 100$$

Internal reserves ratio

[Before the FY2006 edition]

$$= \frac{\text{Net profits for the period} - \text{(Interim dividend + Dividends + Directors' bonus)}}{\text{Net profits for the period}} \times 100$$

[Since the FY2007 edition]

$$= \frac{\text{Net profits for the period} - \text{(Interim dividend + Dividends)}}{\text{Net profits for the period}} \times 100$$

(Note) Directors' bonus in surveys prior to the FY2006 edition were treated as a profit item, while in surveys after the FY2007 edition they are treated as an expense item.

$$\text{Ratio of value added} = \frac{\text{Added value}}{\text{Sales}} \times 100$$

[Before the FY2006 edition]

Added value = Net operating income (Operating profits – Interest expenses, etc.) + Directors' remuneration + Employees' salaries + Welfare expenses + Interest expenses, etc. + Rental or leasing expenses for fixed and liquid assets + Taxes and public charges

[Since the FY2007 edition]

Added value = Net operating income (Operating profits + Interest expenses, etc.) + Directors' remuneration + Directors' bonus + Employees' salaries + Employees' bonus + Welfare expenses + Interest expenses, etc. + Rental or leasing expenses for fixed and liquid assets + Taxes and public charges

(Note) Directors' bonus in surveys prior to the FY2006 edition were treated as a profit item, while in surveys after the FY2007 edition they are treated as an expense item. Employees' Bonus were included in Employees' salaries in the FY 2006 survey and in early surveys, but starting in FY2007 they have been surveyed separately from Employees' salaries.

$$\text{Value added per employee (Labor productivity)} = \frac{\text{Added value}}{\text{Number of employees}}$$

$$\text{Capital equipment ratio} = \frac{\text{Tangible fixed assets (excluding construction in process)} \times \text{(average for beginning of year and end of year)}}{\text{Number of employees}}$$

$$\text{Ratio of value added to tangible fixed assets} = \frac{\text{Added value}}{\text{Tangible fixed assets (excluding construction in process)} \times \text{(average for beginning of year and end of year)}} \times 100$$

9. Notes concerning the use of the results of this survey

(1) Added value refers to new value created by a corporation. This survey computes added value by adding net operating income (operating profits – interest expenses, etc.) to personnel expenses (directors' remuneration + directors' bonus + employees' salaries + employees' bonus + welfare expenses), interest expenses, etc., rental or leasing expenses for fixed and liquid assets, and taxes and public charges.

In addition, added value is not calculated for all industries (including banking and insurance industry) and banking and insurance industry.

Directors' bonuses in surveys prior to the FY2006 edition were treated as a profit item, while in surveys after the FY2007 edition they are treated as an expense item.

(2) Financial data for corporations that had a financial reporting period of less than one year due to a change in the reporting date was deemed as a period of one year and tabulated.

(3) The applicable column for the "→" of the statistics table by size was left blank because there were only one or two companies. The total amount was added to the adjacent column.

(4) Financial statistics at the end of the previous year used in this survey are included at the end of the statistics table as "Assets, Liabilities and Net Assets by Sector (Beginning

of Year)."

(5) *Indicates a negative denominator or numerator that has a zero value.

(6) Changes were made to sector classifications starting from the FY1975 edition of the survey.

(7) Changes were made to the capital stock bracket category starting from the FY1996 edition of the survey in conjunction with revisions made to the Commercial Code in 1990.

(8) Changes were made to corporate accounting standards in 1998, and since this survey represents statistics based on financial statements prepared according to these corporate accounting standards, it should be noted that these changes in accounting treatment do affect the survey.

(9) The number of corporations targeted in this survey in Summary of Survey Methods "5. Tabulation and estimation methods" and the number of estimated corporations in the statistics tables have been labeled under "population" since the FY2000 edition of the survey (definition remains the same).

(10) Changes (revisions, etc.) were made to sector classification starting from the FY2004 edition of the survey.

(11) Precise calculation results have been published on the two items of sales and investment in plants and equipment (three affiliations of all industries, manufacturing and non-manufacturing).

(12) Finance and Insurance have been included in the scope of the survey since the FY2008 edition. In conjunction with this, pure holding companies that control financial institutions as their subsidiaries were added to the scope of the survey.

(13) Japan Post Group has been included in the scope of the survey since the FY2008 edition.

(14) Shoko Chukin Bank has been included in the scope of the survey since the FY2009 edition.

10. Survey Tabulation Results

(Unit: number of companies and %)

Classification	Number of companies sampled	Number of companies that responded	Response rate
All industries (including finance and insurance)	36,891	28,107	76.2
All industries	30,361	23,453	77.2
Manufacturing	8,408	6,985	83.1
Non-manufacturing	21,953	16,468	75.0
Finance and insurance	6,530	4,654	71.3
Capital stock			
More than 1 billion yen	5,848 (5,026)	5,427 (4,624)	92.8 (92.0)
More than 100 million yen, but less than 1 billion yen	12,195 (10,846)	9,412 (8,323)	77.2 (76.7)
More than 10 million yen, but less than 100 million yen	13,729 (11,016)	10,226 (8,339)	74.5 (75.7)
Less than 10 million yen	5,119 (3,473)	3,042 (2,167)	59.4 (62.4)

(Note) Parentheses indicates quantitative values excluding the finance and insurance.